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FOREST INDUSTRIES

LOGGING/PULPWOOD/FORESTRY/LUMBER/PANELS

1987 EQUIPMENT CATALOG AND BUYERS' GUIDE

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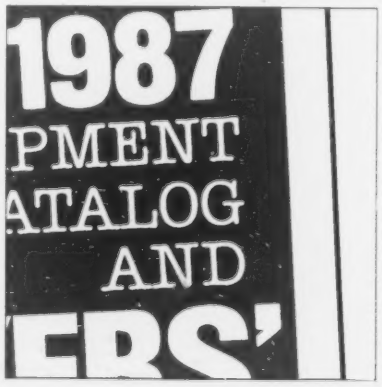

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Coalition to oppose single-use setasides

PORTLAND, ORE.—Seven timber-related groups in Washington and Oregon have formed an environmental coalition called Citizens for Perpetual Resources to provide a voice opposing excessive government restrictions and single-use forest withdrawals.

Top priority will be a response to the U.S. Forest Service proposal to set aside 2200 acres of forest lands for each pair of spotted owls in Northwest national forests. Davidson Industries sawmill supervisor Del Phelps, Mapleton, Ore., is president. ■

Improved markets aid third-quarter earnings

SAN FRANCISCO, CALIF.—Better pulp and paper markets and improved prices for building products added up to a booming third quarter for most major forest products corporations.

Labor factors in the solid-wood industry made plus and minus contributions. Some West Coast mills in the U.S. lost production to a strike which hit several companies in August, but settlements involving compensation cuts were cited as progenitors of sustained profitability in the future.

A continuing work stoppage in British Columbia, however, has suppressed production and revenues north of the border—bad for Canadian companies affected but good for profits of U.S. lumber companies which took up the slack at home.

The table on this page summarizes figures reported by several companies. Note the high percentage gains in the earnings column, even in cases where sales are only slightly up or have fallen from last year's third quarter. While integrated corporations cited strength in pulp and paper as well as a return of healthy solid-wood markets, the industry is also running a tighter ship.

While markets for the company's products were healthier, "our improving cost competitiveness remained the primary influence behind the major earnings gains for the quarter and first nine months," observed Potlatch Corp. chairman and CEO Richard B. Madden.

Willamette Industries president and CEO William Swindells Jr. made a similar observation: "Labor cost savings resulting from negotiated wage concessions, along with efficiencies created by capital investment, should combine to make (our) western building materials operations more competitive with low-cost Canadian and domestic mills."

The Potlatch wood products group turned in its third consecutive profitable quarter after suffering substantial operating losses since 1983, Madden said. The group reported operating income of $7.2 million in the third quarter of 1986 vs. a loss of $2.2 million in the same period a year ago.

Louisiana-Pacific Corp. turned in record third-quarter sales and a 55% increase in earnings. "Production and sales volumes of many of our building products reached record levels during the quarter," said chairman and president Harry A. Merlo.

Strong demand for particleboard and fiberboard paced third-quarter building products earnings of $8.8 for Temple-Inland Inc., up from $4.3 million in the third quarter of last year. "Building material markets will no doubt moderate seasonally in the fourth quarter," noted Clifford J. Grum, president and CEO. ■

U.S. forest industry results third quarter 1986 ($ millions)

Company	Sales	% change 1986/85	Earnings[1]	% change 1986-85
Boise Cascade	959,530	2.7	13,240[2]	-34.9[2]
Champion International	1,110,884	-16.5	63,834[3]	68.2
Chesapeake Corp.	161,822	1.1	6,189	80.8
Federal Paper Board	222,028	23.5	9,920	385.3
Georgia-Pacific	1,909,000	8.9	97,000[3]	67.2[4]
Great Northern Nekoosa	514,500	8.2	34,600	260.4
Hammermill Paper	442,096	6.0	15,400[5]	175.0
International Paper	1,250,000	12.6	85,000	466.6[6]
IP Timberlands Ltd.	51,000	34.2	31,000	72.2
Jefferson Smurfit	267,202	71.7	7,783	102.7
Louisiana-Pacific	407,390	22.6	22,200	55.1
Pope & Talbot	78,055	-4.7	4,278	124.8
Potlatch Corp.	249,955	4.3	16,737	48.5
Scott Paper	819,700	7.0	38,200[7]	-32.1
Southwest Forest Industries	160,527	9.7	4,015	241.3
Temple-Inland	333,800	7.4	20,100	14.8
Union Camp	515,910	11.2	36,427	80.8
Westvaco	433,043	10.5	25,938[3]	11.9
Weyerhaeuser	1,400,000	8.5	62,200	61.1
Willamette Industries	300,271	4.5	21,338	44.5

Canadian companies (C$ millions)

Abitibi-Price	716,500	13.1	31,100[8]	22.4
B.C. Forest Products	258,300	-7.0	9,500	111.1
Canfor Corp.	284,500	3.0	12,500	189.3
Crown Forest Industries	221,000	-4.0	13,200[9]	73.7
Domtar Inc.	585,000	11.3	33,500[10]	73.6
Great Lakes Forest Products	159,389	0.9	8,853	759.2
MacMillan Bloedel	657,600	10.1	31,700	161.9
West Fraser Timber	110,400	27.0	14,100	228.0

[1] Income after taxes from continuing operations, excluding most significant nonrecurring items. [2] Includes pretax gain of $6.7 million from sale of certain operations. [3] Reflects change in method of accounting that reduced pension costs. [4] 1985 quarter included $30 million loss from disposal of discontinued oil and gas unit. [5] Includes one-time pretax gain from sale of Manning Paper Co. and settlement of insurance claim equaling $3.6 million. Includes one-time pretax loss of $21.3 million for defending against tender offer. [6] 1985 quarter included $23 million charge for early retirement program. [7] Includes $38 million charge for nine-week strike at Mobile, Ala., mill. [8] 1986 quarter excludes extraordinary charge of C$2.3 million from writedown of certain assets and reflects change in method of accounting that reduced pension costs. [9] Excludes one-time loss of C$10.3 million from restructuring of Crown Stores subsidiary. [10] 1986 quarter excludes extraordinary gain of C$3.9 million. 1985 quarter excludes extraordinary gain of C$5.8 million.